

# looking ahead

... A monthly report by the National Planning Association on forward-looking policy planning and research—announced, underway, and completed—of importance to the nation's future

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1958

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WOMEN in the U. S. WORK  
FORCE

*the people of NPA*

*"A substantial and prolonged economic downswing in the United States would do greater harm to America's international position than all the sputniks combined."*\*

## The Economic Outlook for 1958

by Gerhard Colm

*This outlook is written at a time when decisions are being made about possible major revisions in the national security program. These decisions will have a strong impact on the economy. Therefore, an analysis of the economic outlook at this time must be even more "iffy" than it would be after these decisions are known.*

THE PERIOD OF extraordinary growth of investments in plant and equipment has come to a halt in 1957. Personal income continued to rise through most of the year, though at a slower rate than in previous years. Moreover, the price rise dampened consumer buying, thereby contributing to the onset of an imbalance between the rapidly rising productive capacity and the more slowly rising active demand. The unavoidable slowing down of investments was aggravated by tight money, which affected particularly residential construction and some other areas of investments. In addition, there were severe cutbacks in defense orders. In several branches of industry and trade, inventory adjustments took place. Under the impact of these factors, the sidewise movement of economic activity of the last year developed into a drop in production and sales towards the year's end. (See chart at top of page 2.)

THE QUESTION for 1958 is whether this drop is only temporary or whether it may be the beginning of a protracted decline. In considering this question, the analysis may proceed in three steps.

First, we should look at the various component parts of the economy—such as consumers, business, foreign markets, and government—to determine the most recent trend in purchases in these sectors and to

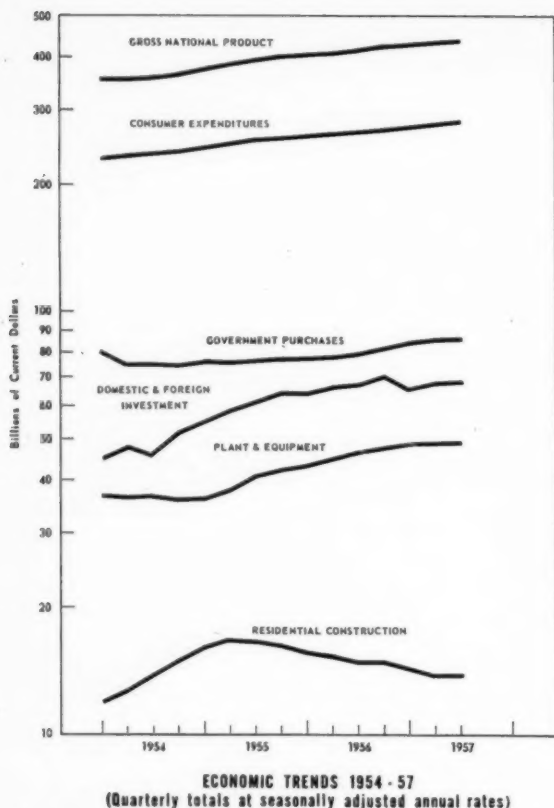
1958

● In this issue LOOKING AHEAD presents the 1958 economic forecast by Dr. Gerhard Colm, Chief Economist of NPA. In addition, because of unusual national interest in the economic situation, we have polled the 900 members of NPA's board of trustees, standing committees, and National Council. The poll was designed to find out what these national leaders consider to be the major economic problems facing the nation in 1958. The results are summarized and tabulated on pages 5-8.

● A word about the timing of the poll is in order. A mail questionnaire was sent out October 29 and the bulk of the returns were received by the middle of November. Final tabulations were made December 3. Thus the results reflect the viewpoints of the respondents following the early October launching of Sputnik.

\* Gerhard Colm, National Outlook Conference, Department of Agriculture, November 18, 1957





Source: Survey of Current Business, July 1957;  
Economic Indicators, October 1957.

consider what the outlook appears to be, if present attitudes continue and present intentions are carried out. This initial phase of the analysis gives us a first estimate of composite demand and total Gross National Product for the next year.

Second, current attitudes and intentions of business and consumers are conditioned by the experiences of the recent past. It may well be that if a trend should develop as indicated by the first step, present attitudes and intentions may change and the first estimate would require modification.

Finally, economic developments are also watched by the government so that a change in economic trends could lead to changes in public policies. These changes may again require a modification of the economic outlook.

**Step One:** If we look at present plans and intentions for the coming year, we find indications that certain demand factors are likely to go up and that others are likely to decline. Expenditure programs of state and local governments have been rising for several years and are likely to

rise further. Expenditures of the Federal Government currently show a slight decline, but it is likely that under present plans spending will begin to rise again in 1958, particularly for national security programs. This rise may become substantial if additional defense programs, which are under consideration, should be adopted. There are indications that the decline in residential construction of recent years may be coming to a halt and that some rise may occur. Assuming there are no *additional* large Federal programs, these factors may add up to a rise in total demand of perhaps 3 to 4 billion dollars.

There are, on the other hand, sectors for which a contraction is now indicated. The most important is the decline in present business intentions for the expansion of plant and equipment. According to the McGraw-Hill Survey, this decline would amount to  $2\frac{1}{2}$  to 3 billion dollars. Net exports are also likely to decline according to present foreign intentions to buy.

These declining factors are likely to offset most of the expected rise. Besides these factors for which a rise or decline is indicated, there are areas for which no clear trend is indicated. This is true for consumer buying and additions to, or reductions of, business inventories. The most recent report (last summer) from the Michigan Survey Research Center indicated slightly greater caution in consumer buying.

However, until the most recent dip, consumer purchases have been well sustained, and the recent decline may be due to temporary causes. On the other hand, no substantial rise in consumer buying is indicated. Business inventories in general are not out of line with the present level of sales. Thus, we reach the tentative conclusion at the first phase of the analysis that present indications suggest a continued sidewise movement for the general level of activities.

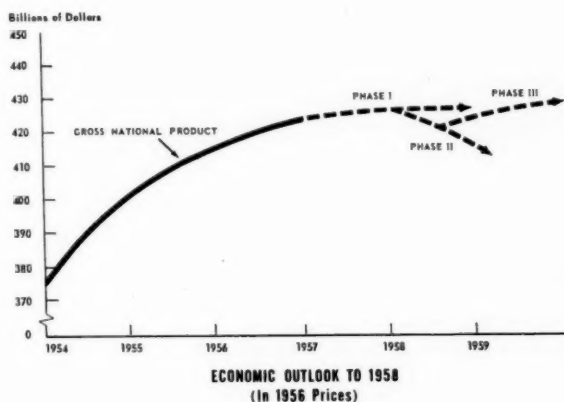
**Step Two:** A sidewise movement in total production means that the amount of idle capacity and the number of unemployed would continue to rise moderately. The question is how this experience would affect business and consumer behavior. There is little past experience which would help us in finding an answer to this question. In the past, one would have assumed that the appearance of excess capacity and the squeezing of profits produced by rising costs without expanding markets would result in a curtailment of investment programs.

However, many firms have formulated their investment programs more in the light of long-range market expectations rather than on the

basis of short-range fluctuations. Has the confidence in the long-range expansion of markets been shaken? I would guess that the appearance of excess capacity and the deterioration of the profit outlook will result in some further retrenchment in business investment programs in addition to those which would take place under present intentions.

A generally skeptical, if not pessimistic, attitude would also induce some further reduction in the rate of inventory accumulation. Thus, it is likely that private domestic investment may actually show a more pronounced decline than was indicated by the most recent surveys of intentions.

Also, consumers may develop greater caution in purchases, particularly on instalment buying if they see that the number of unemployed people in their communities is rising. Thus, under the impact of a failure of the economy to expand, we may end up actually with a decline in economic activities. This second phase of the analysis, thus, would take into consideration what may be referred to as the "feed-back" effect of a sideways movement.



**Step Three:** However, as soon as unemployment and excess capacity begin to rise and particularly if a downturn in economic activity becomes apparent, the government will not sit idly by.

The Federal Reserve System has already taken a first step toward relaxing credit restraint. Further measures can be expected if the economic contraction would continue. Particularly effective would be measures for making available more credit for residential construction. Changes in Government fiscal policy may also follow. Unless Government expenditures for national security have to be stepped up substantially, it is likely that a tax reduction would be promptly adopted if a severe and prolonged downturn in

economic activities is indicated. A decline in economic activities and rising unemployment would automatically result in lower revenues and rising disbursements, thus necessitating lifting of the debt limit. The same action would also be needed if national security expenditures should be increased or if an anti-recession program should be adopted.

Again, we still are not sure from past experience how effective a switch in credit policy and a switch in Government fiscal policy would be in halting and reversing an economic downturn. In evaluating the effects of such policies, much would depend on how promptly they are applied—whether at the initial stage of an economic contraction, or only when the downward movement has attained momentum.

An early announcement of an adequate government anti-recession program if it is found necessary would favorably affect business and consumer confidence even before the program itself could actually add to the stream of incomes and purchasing power. Such an announcement would be particularly effective if it should come both from the Executive and Legislative Branches and if it made clear that politics would not impede the prompt implementation of such a program.

An economic outlook which takes counteracting government policies into consideration ("counter feed-back effect") gives us a different result from that which was formulated on the basis of *present* indications (first phase of analysis), or that which was formulated after considering the impact of a sideways economic movement on business and consumer behavior (second phase of analysis).

Considering all three stages, and recognizing that, especially for the second and third stages, we have little factual experience to guide our estimates, the following summary is offered:

1. The expansion of the private economy in the years 1955 and 1956, which was leveling out in 1957, is not likely to be resumed early in 1958.
2. The possibility of a contraction in 1958 is serious enough to justify a relaxation now in credit restraints. Knowledge that an adequate program of anti-recessionary fiscal measures is in preparation for use if needed would go far in restoring business and consumer confidence.
3. A program of anti-recessionary fiscal policy (including tax reduction and some promotion of urgently needed nondefense programs) should be held in readiness but not be applied until a decision has been reached about the magnitude of additional programs needed in the interest of national security.

## Women in the U. S. Work Force

THE National Manpower Council's latest study of the U. S. work force, *Womanpower*, focuses on the significance and changing role of women in the U. S. work force.

Women now account for one-third of the paid work force, as compared to one-sixth in 1890. In 1890, the majority of working women (many of whom were volunteers) were single and under 25. Today, nearly half of the working women are over 40, and more than half are married.

Technical innovations now presented by automation are expected to require the development of new skills. Demands for skilled labor can be increasingly met by insuring more effective development and use of womanpower, the study asserts.

A Council statement urges the further development and use of womanpower resources. It recommends that State, Local, and Federal Governments, employers, unions, voluntary organizations and individuals should:

- cooperate to improve educational and vocational guidance for young women and guidance and placement services for mature women;
- encourage scholarship and fellowship programs enabling more women to continue formal education;
- conduct surveys to determine adequacy of existing training facilities;
- develop more part-time and flexible work arrangements;
- conduct and publish research on new practices for using womanpower more effectively.

IN ADDITION TO the Council's statement, there is an extended report by the Council staff, covering: the composition of the female labor force; its history; characteristics of women's behavior in the work force; education and training of women; the impact of World War II; legislation affecting working women; the shortage of highly skilled workers; employer practices concerning women; and the motivations that impel women to work today.

The National Manpower Council includes NPA Committee members Courtney C. Brown, Peter Henle, and NPA National Council members James S. Schoff, Alexander R. Heron, Roland R. Renne, Lucy Somerville Howarth, James M. Mitchell, and James D. Zellerbach (U. S. Ambassador to Italy).

(*Womanpower*, National Manpower Council, Columbia Press, New York City: 1957, 371 pp., \$5.00.)

## —The People of NPA—

Herman  
W.  
Steinkraus



Well-known speaker and writer on industrial and public relations subjects, and member of NPA's Board of Trustees, Herman W. Steinkraus rose rapidly to president of one of the country's largest brass manufacturing companies — Bridgeport Brass Co. After receiving A.B. and LL.D. degrees from Western Reserve, he served in the U. S. Army, from private to captain, and was awarded the Distinguished Service Cross. In 1924, he started his own metal and chemical business in Cleveland, Ohio. Within four years, Bridgeport Brass Co. bought his business and transferred him to Connecticut as its general sales manager. He was promoted to vice president in charge of sales, and promotions followed until in 1942 he became president, and chmn. of the Board in 1946. Mr. Steinkraus is pres. of the Noranda Copper and Brass Ltd. of Canada, and director of the Carrier Corp., Bridgeport Hydraulic Co., the Connecticut National Bank of Bridgeport, People's Savings Bank of Bridgeport, Conn., Congoleum-Nairn, Inc., and American Manufacturers Mutual Insurance Company. During W.W. II, he was chmn. of the Conn. United Community and War Funds. In 1945, he served on the President's Labor-Management Committee, and from 1946-49 was chairman of the Industrial Services Committee of the National YMCA. He is a former member of the Board of NAM, was a vice president of the New England Council (1955-57) and was pres. of the U. S. Chamber of Commerce (1949-50). He was on the Governing Board of *Nation's Business*, and first chmn. of the Board and cofounder of the Connecticut Symphony Orchestra. He has been awarded an honorary LL.D. degree from Boston University and is trustee of the Twentieth Century Fund, Ithaca College, and the University of Bridgeport.



## Major Economic Problems for 1958

A DECLINE or sidewise movement in economic activity along with a continuing price rise will be the major economic problem facing the United States in 1958. This forecast was expressed in an opinion survey conducted last month among the more than nine hundred members of NPA's Board of Trustees, standing Committees and National Council.

Such a situation merits real concern on the part of government, business and labor according to 48% of the respondents. However, business respondents were more optimistic than the representatives of agriculture, labor and the professions. Forty-four percent of the businessmen thought that a decline or sidewise movement would represent "a temporary dip in the business cycle which will right itself," and 33% said that this situation "would represent a necessary adjustment to an overexpanded economy."

The groups which were polled comprise a cross section of leaders from the fields of agriculture, business, labor and the professions and from all parts of the country. Forty-three percent replied to the mail questionnaire which was designed to obtain the opinions of these national leaders on the economic outlook.

While all groups were in general agreement, the sharpest differences were between the business and labor elements. For example, 56% of the labor group blamed sluggish consumer demand on an inadequate rise in wages as contrasted with 1% of the business group. However, all groups united in placing the major blame on rising prices.

All respondents were concerned about inflation. Fourteen percent advocated "severe measures" to stop it "even at the price of creating some unemployment." Only 5% stated that inflation "is not alarming but on the contrary reflects a healthy economy."

THE MAJOR REASONS given for the "new inflation" which has occurred since early 1956 were "wage rate increases in excess of productivity gains and in excess of price rises," and "business pricing policies."

As to government policies, 31% advocated "the promotion of business and labor restraint with respect to price and wage policies supplementing a restrictive credit policy." A larger percentage

of agriculture representatives (43%) favored this course while 46% of labor respondents recommended that the government reduce taxes in support of purchasing power.

Following are the nine questions which were asked and a tabulation of the replies.

The first question was:

*There are a number of important economic problems which will face the nation in 1958. From the list below please select the one that you consider most pressing, or if we have not included a problem of greater importance, write it in the space provided.*

- A. A decline or sidewise movement in economic activity
- B. Continuing price rise
- C. A combination of A and B.
- D. Other

FORTY-EIGHT PERCENT stated that the most pressing problems in 1958 will be both a decline or sidewise movement in economic activity and a continuing price rise.

Answers to Question 1

TABLE A*	AGRIC.	BUS.	LAB.	PROF.	TOTAL
A	38	38	31	16	31
B	16	18	20	27	20
C	45	41	47	58	48
D	7	13	13	11	11

The next question asked:

*With respect to a decline or sidewise movement in economic activity, which of the following statements comes closest to expressing your opinion?*

- A. Such a situation would represent a necessary adjustment to an overexpanded economy
- B. Such a situation would represent a temporary dip in the business cycle which will right itself
- C. Such a situation would merit real concern on the part of government, business and labor
- D. No opinion

\* Note: Percentages appearing in the total columns of the tables represent the sum of the four group percentages divided by four thereby giving each group equal weight. Percentages will not add to 100 because some respondents checked more than one answer.

The respondents were somewhat divided on this question. Eighty-two percent of the labor members thought that a decline or sidewise movement would merit real concern on the part of government, business and labor as contrasted with 54% for all four groups.

#### Answers to Question 2

TABLE B	AGRIC.	BUS.	LAB.	PROF.	TOTAL
A	24	33	4	20	20
B	26	44	4	33	27
C	53	29	82	50	54
D	..	1	2	..	1

The third question asked for reasons for concern with a slowdown in our industrial output and expansion, as follows:

*Which statement best expresses your reason for concern with a slowdown in our industrial output and expansion?*

- A. Because it might lead to rising unemployment
- B. Because we must use our potential resources in order to increase the general standard of living
- C. Because we must use our potential resources to pursue a larger defense effort
- D. Because we must use our potential resources to pursue non-defense programs in such fields as health, education, research, conservation of resources
- E. Because of Russia's economic strength
- F. Other reasons

The largest number (30%) expressed a fear of rising unemployment. More of labor (51%) and agriculture (31%) gave this reply. Seven respondents listed, in addition, "effects on other countries" and "capitalism on trial."

#### Answers to Question 3

TABLE C	AGRIC.	BUS.	LAB.	PROF.	TOTAL
A	31	20	51	19	30
B	16	8	36	11	18
C	17	12	7	17	13
D	22	6	24	21	18
E	9	8	11	9	9
F	17	9	11	6	11

The fourth question was:

*A number of reasons have been advanced to explain the slowdown in our industrial output. From the list below, would you select the three that you feel are the most important factors.*

*Production and expansion programs have been cut back because of:*

- A. Excessive industrial capacity
- B. Cutback in defense programs
- C. High corporate taxes
- D. Unfavorable price-cost relationship and a poor outlook for profit
- E. Excessive inventory
- F. Difficulties in financing
- G. Rising pessimism (as indicated, e.g., by the stock market decline)
- H. Sluggish consumer demand
- I. Other reasons
- Don't know

The three factors most often mentioned were cutback in defense programs, rising pessimism, and unfavorable price-cost relationship and a poor outlook for profit. Relatively few, including a minority of the business group, mentioned high corporate taxes.

#### Answers to Question 4

TABLE D	AGRIC.	BUS.	LAB.	PROF.	TOTAL
A	38	48	24	34	36
B	40	36	64	54	48
C	12	22	..	7	10
D	43	52	13	39	37
E	22	23	15	23	21
F	31	40	40	39	38
G	45	40	36	54	44
H	31	21	51	30	33
I	12	10	22	13	14
Don't know	2	..	..	..	..

The fifth question was:

*Consumer demand is sluggish because of (Please "X" in all factors you feel responsible):*

- A. Rising prices
- B. Inadequate rise in wages and other incomes
- C. Temporary saturation with consumer goods
- D. Temporary overcommitment with installment debt
- E. Rising pessimism (e.g., concern about job security)
- F. Other reasons
- Don't know

Again the groups were fairly evenly divided in their answers, but the largest number in each category mentioned rising prices.

**Answers to Question 5**

TABLE E	AGRIC.	BUS.	LAB.	PROF.	TOTAL
A	33	25	60	40	40
B	14	1	56	17	22
C	16	21	5	18	15
D	29	18	40	23	28
E	16	23	53	28	30
F	9	7	..	2	4
Don't know	..	..	..	..	..

The sixth question was concerned with price rises. It asked:

*With respect to continuing price rises, which of the following statements comes closest to expressing your opinion?*

- The current inflation is not alarming, but on the contrary reflects a healthy economy*
- The threat of inflation has passed because of the slack in economic activities*
- While a continuing mild inflation can be lived with, and is preferable to severe measures needed to stop it, the "new inflation" has gone too far too fast*
- The threat of price rises may continue in spite of a slack in economic activities*
- All inflation is bad and severe measures should be taken to stop it, even at the price of creating some unemployment*

**F**ORTY-SIX PERCENT thought that the threat of price rises may continue in spite of a slack in economic activities. The professional group differed with 53% choosing Answer C.

**Answers to Question 6**

TABLE F	AGRIC.	BUS.	LAB.	PROF.	TOTAL
A	3	7	5	4	5
B	10	14	5	2	8
C	40	35	25	53	38
D	43	41	55	43	46
E	12	24	7	15	14

Question 7 asked for reasons for concern with rising prices, as follows:

*Which statement best expresses your reason for concern with rising prices?*

- Inflation is likely to end in a crash*
- Inflation is the worst tax imposed on those least able to bear it*

*C. Stable prices are the prerequisite for orderly planning by business and consumers*

*D. Other reasons*

The respondents were almost evenly divided between Answers B & C. A majority of the labor and professional respondents stated that "inflation is the worst tax imposed on those least able to bear it," while only 27% of the business group and 36% of the agriculture group expressed this opinion.

**Answers to Question 7**

TABLE G	AGRIC.	BUS.	LAB.	PROF.	TOTAL
A	24	25	11	16	19
B	36	27	58	53	44
C	52	39	22	38	38
D	12	10	5	14	10

The eighth question concerned the reasons for the "new inflation." It asked:

*What factors do you think have been the major reasons for the "new inflation" which has occurred since early 1956?*

- Business pricing policies*
- Wage rate increases in excess of productivity gains and in excess of price rises*
- Rising government expenditures*
- High Federal taxes*
- Higher state and municipal property and sales taxes*
- High interest rates*
- Increase in rents*
- Rise in food prices*
- National commitment to full employment*
- Other reasons*

*Don't know*

The four groups laid about equal emphasis on wage rate increases and business pricing policies.

**Answers to Question 8**

TABLE H	AGRIC.	BUS.	LAB.	PROF.	TOTAL
A	71	20	82	59	58
B	67	90	13	74	61
C	41	44	15	31	33
D	16	24	9	18	17
E	9	12	7	7	9
F	26	15	51	28	30
G	7	3	16	6	8
H	9	4	25	15	13
I	5	18	..	11	8
J	12	8	11	8	10
Don't know	..	..	..	..	..

The final question was:

*With respect to government policies designed either to promote expansion or price stability do you think it would be desirable:*

- A. To relax credit restrictions in general to support expansion
- B. To relax credit restrictions for specific purposes such as residential construction
- C. To reduce taxes in support of purchasing power
- D. To continue a restrictive credit policy to counteract excess demand and price rise
- E. To promote business and labor restraint with respect to price and wage policies

(1) supplementing a restrictive credit policy

(2) instead of a restrictive policy

F. Other

No change in policy

Don't know

Thirty-one percent advocated business and labor restraint with respect to price and wage policies supplementing a restrictive credit policy.

#### Answers to Question 9

TABLE I	AGRIC.	BUS.	LAB.	PROF.	TOTAL
A	10	14	24	19	17
B	28	16	46	26	29
C	31	26	46	21	31
D	34	28	5	29	24
E (1)	43	37	5	40	31
E (2)	14	13	5	11	11
F	10	9	15	6	10
No change	2	2	..	2	2
Don't know	..	1	4	4	2



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